

## JLARC Evaluates State Agency Performance

Washington's Joint Legislative Audit and Review Committee (JLARC) has focused on state agency performance since January 2003 in over 15 performance audits, special studies, and follow-up reviews. While a number of these reviews have been at the Legislature's direction, from both budget provisos and statutes, many have been at JLARC's own direction through its 2001-03 and 2003-05 Work Plans. This Legislative Auditor's Report summarizes JLARC's major efforts over this past year.

### Performance and Outcome Measure Reviews

JLARC, as part of its 2003-05 Work Plan, decided to assess aspects of the state's accountability and performance measure tracking systems. JLARC's recent **performance and outcome measure reviews** have centered on four agencies with key activities related to Washington's economic competitiveness. Findings and recommendations from these JLARC reviews are aimed at strengthening accountability processes that have been in place in statute since the early 1990s.

■ **Department of Ecology.** Ecology's environmental regulation and oversight activities gathered somewhat critical reviews from the Washington Competitiveness Council in its December 2001 report, which suggested that Ecology be "reinvented" to increase its accountability and responsiveness. JLARC selected Ecology as its first case study for assessing state agency performance measures and how these are used for both accountability and management purposes. Looking at all ten of Ecology's major programs, JLARC found a generally effective performance measurement system in place. However, concerns were raised about the **absences** of benchmarks against which to evaluate progress, of efficiency measures to assess benefits over costs, and of web-based performance information for the public. *September 2003*

■ **Department of Labor & Industries (L&I).** Done in conjunction with JLARC's follow-up to its 1998 performance audit of workers' compensation, this review looked at L&I's use of performance criteria to make referrals to private vocational rehabilitation providers. While L&I has worked to carry out its statutory directives, lawsuits have hindered full implementation of performance-based contracts for these providers. L&I's focus has also been on measuring provider efficiency, rather than provider quality and effectiveness as required in statute. JLARC recommended that L&I explore basing provider payments more directly on performance. *September 2003*

■ **Employment Security.** Employment Security administers Washington's unemployment insurance system, as well as operates job search and return-to-work initiatives for unemployed workers. JLARC reviewed these latter areas, examining how the agency uses performance measures to get unemployed workers back to work. This agency is in the midst of developing a new performance measurement system. An opportunity exists to carry out JLARC's four recommendations to develop clear roles and responsibilities, include staff in developing measures, establish meaningful targets, and communicate performance information. *January 2004*

■ **Community, Trade & Economic Development (CTED).** CTED operates a variety of programs geared toward improving the state economy. This JLARC review looked at performance measures of the Economic Development and International Trade Divisions. JLARC found that, overall, CTED has created a good performance measurement system but also recommended that the agency share best practices internally, communicate performance information more effectively, and establish targets based on external benchmarks. *January 2004*

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*JLARC's full reports located on our website*  
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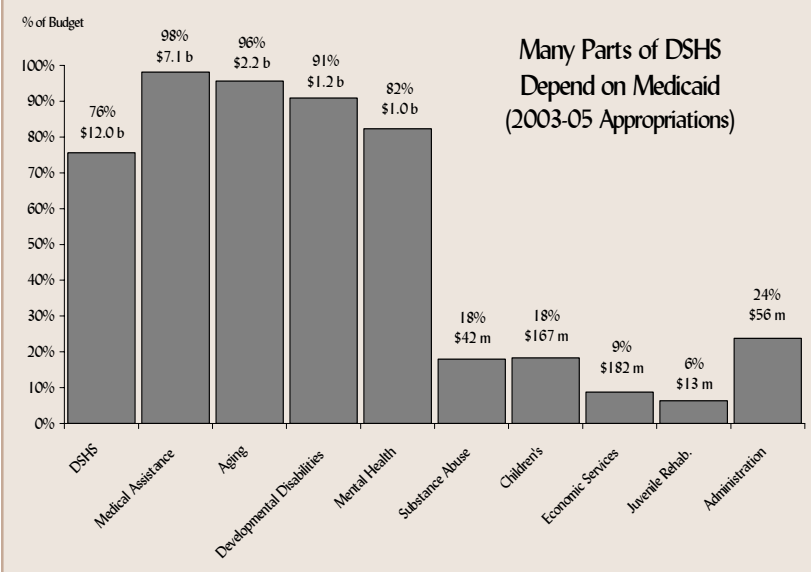
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# Health and Human Services Performance Reviews

■ **Washington Medicaid Study.** JLARC evaluated the range of Medicaid's involvement in Washington's overall biennial budget and, especially, its dominance over the budget and policy decisions in the Department

■ **Developmental Disabilities Performance Audit.**

JLARC completed its mandated two-year study of DSHS's Developmental Disabilities Division and concluded that over \$500 million in services are provided each year **without** clear assessments of clients' service requirements and how these can best be met. Policymakers cannot know whether clients with similar requirements are getting similar services and at similar costs. To improve basic efficiency criteria, JLARC recommended that DSHS develop a consistently applied assessment process for developmentally disabled clients to determine whether clients need services and, if so, at what level. DSHS has reported back on its initial progress on JLARC's three recommendations. *June 2003*



of Social and Health Services (DSHS). Nine different DSHS organizations manage Washington Medicaid, and these nine will spend **\$12 billion** in 2003-05, capturing over 30 percent of the state's biennial appropriations, and **over 75 percent** of those to DSHS. Medicaid funds acute and long-term care services for over 900,000 Washingtonians. JLARC initiated this study, deciding to look at Washington Medicaid as one program, rather than "just a funding source" for a variety of services. This view provided new light on performance, management, and accountability issues. Our general conclusion is that no comprehensive or integrated view of the Medicaid program or its management exists, and that current data systems work against such a view. DSHS has the statutory responsibility for managing a large, complex health care organization, and attempts this through a largely decentralized management structure and major data systems that are over 20 years old. JLARC recommends developing a comprehensive management overview of Medicaid. JLARC also recommends that the state strengthen its fiscal management by rigorously reviewing approximately \$5 billion in biennial Medicaid expenditures for unexamined cost containment efforts and by assessing the best techniques for comprehending future caseload dynamics. *January 2004*

■ **DSHS Mental Illness Prevalence Study—JLARC Review.**

DSHS Mental Health Division completed a legislatively mandated study on the prevalence of mental illness in the different regions of Washington. Prevalence of mental illness is one of the factors that must be considered when allocating over **\$800 million in biennial funding** to the state's Regional Support Networks. JLARC was directed to review this study and its conclusions. The study found that a previously identified relationship between the number of Medicaid-eligible people and the number of people needing publicly-funded mental health services in an RSN has lessened somewhat. Any changes in funding distributions, however, should await a comprehensive review of state funding for all mental health services. *January 2004*

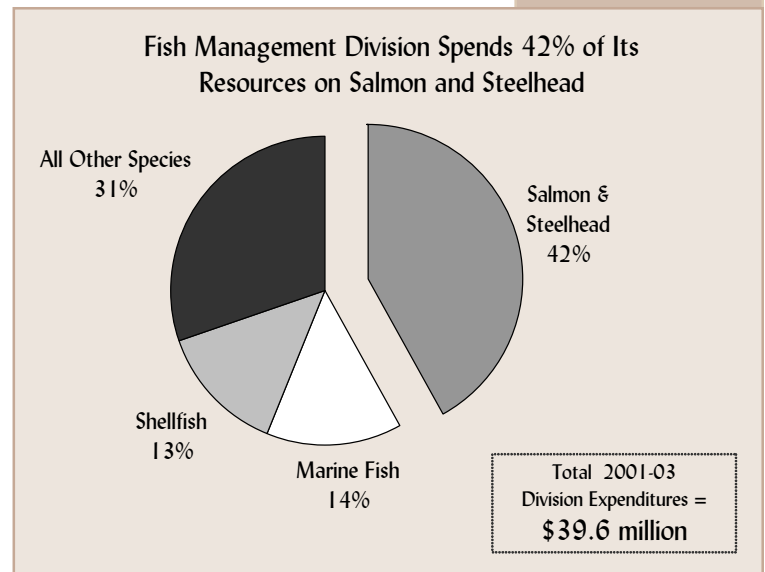
■ **Follow-up on WorkFirst Audits.** JLARC itself decided to follow up on its 1997-2001 evaluations of the early stages of Washington's welfare reform efforts. We found that this reform effort continues to meet legislative goals of reducing welfare caseloads and increasing work participation among welfare clients. Welfare caseloads—despite many predictions—have **not increased** in a time of increased unemployment as well as regional and national recessions. JLARC also found that WorkFirst's performance measures are integrated into program operations, both centrally and in the field. *May 2003*

# Natural Resources Audits and Reviews

■ **Pipeline Safety Program—Oversight and Review.** In response to a June 1999 pipeline explosion in Bellingham, the Legislature expanded the authority of the Utilities and Transportation Commission (UTC) to operate a comprehensive pipeline safety program, and also directed JLARC to review it. JLARC described the regulatory framework for pipeline safety, compared the Washington efforts with activities in other states, reviewed the UTC pipeline mapping activities, identified inspection workload indicators, and evaluated the fee methodology. JLARC recommended focusing inspections more on risk by identifying and integrating best practices, integrating the pipeline mapping system with other emergency preparedness efforts, and basing inspection fees on actual workloads. The UTC concurred with these recommendations and JLARC anticipates an update. *June 2003*

■ **Fish Management—Activity and Cost Analysis.** JLARC's study resulted from ongoing legislative frustration with the Department of Fish & Wildlife's inability to provide basic management information to the state's policymakers. JLARC's review of the Fish Management Division demonstrates how to apply an **activity-based cost accounting** system to identify program activities, expenditures (totaling \$39.6 million in 2001-02), staffing levels, and fund sources. The study

also links Division activities to fish species groups and assesses how performance of activities is measured. JLARC's recommendations are to assist the Department



in implementing an activity-based costing system and to reconcile areas where state statutes, Fish and Wildlife Commission policies, and Fish Management Division activities are not aligned. *December 2003*

## Other State Agency Reviews

■ **Follow-up on Workers Compensation Performance Audit.** JLARC completed a broad performance audit of Washington's workers' compensation system in 1998, making 32 recommendations for improving system management. That audit found a relatively efficient system but also many areas where improvements were warranted. In light of recent premium increases, JLARC conducted a follow-up to the earlier performance audit. JLARC found that while L&I has made efforts to address most of the recommendations of the 1998 audit, many, including some of the most significant of these recommendations, have been only partially, or not at all, implemented. Labor and Industries has expressed an interest in revisiting some of those recommendations still not implemented. *September 2003*

■ **Follow-up on 2003 Higher Education Facilities Preservation Study.** In the course of this study, undertaken at legislative direction, JLARC assembled a large body of comparable information on college and university building inventories and conditions previously

unavailable. JLARC recommended changes to improve higher education budgeting and accountability—two each to the Legislature and the Office of Financial Management. The Legislature implemented its two recommendations through action in the 2003 Session, while the Office of Financial Management is exploring ways to address its two. JLARC continues its study of higher education facilities in 2003-05. *August 2003*

■ **University of Washington Metropolitan Tract.** Statutes direct the University of Washington to submit biennial reports to JLARC on the financial performance of the Metropolitan Tract. These state-owned buildings in downtown Seattle are managed by the University and generate revenue that the Legislature appropriates for the UW capital program. Prior JLARC reviews have commented on the limited financial returns generated by these assets, due to an unusual leasing structure between the University and the private firm that manages the properties. The 2003 report highlighted a projected deterioration in the Tract's short-term cash flow, and the potential implications on the revenue flow for the UW's future capital program. *August 2003*

# JLARC's 2004 Work Underway

The Legislature directs some of JLARC's work, both in statute and budgets. For 2003-05, JLARC itself also initiated a number of studies—some have already been completed, while others are underway.

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■ **Capital Budget Studies.** The 2003-05 Capital Budget directs JLARC to undertake three major capital studies—a performance audit of the overall capital budgeting process; a review of the general contractor/construction manager public works contracting procedure; and continuation of JLARC's efforts on the Higher Education Comparable Framework. *Reports due in January 2005.*

■ **Performance and Outcome Measure Reviews—Next Stages.** JLARC has completed four of these reviews, focusing on the Departments of Ecology, Labor & Industries, Employment Security and Community, Trade & Economic Development. Next stages will look at program results that cut across agency boundaries. *Progress reports during 2004.*

■ **Salmon Recovery Efforts—Evaluating Progress.** This JLARC-initiated study will assess the goals and objectives for salmon recovery, progress toward implementing a comprehensive salmon monitoring strategy, and tracking of salmon recovery expenditures and outcomes. *Report anticipated in September 2004.*

■ **At-Risk Youth Study.** 2003 legislation directs JLARC to analyze research results on programs proven effective at preserving families and reducing youth crime. JLARC is also to examine costs, benefits, and outcomes of such programs and possible options for incentives to encourage local governments to undertake such efforts. *Preliminary report: September 2004; final: September 2005.*

■ **Exemptions on Public Records Disclosure.** The 2002 Legislature exempted from public disclosure certain domestic security records and information about the security of telecommunications networks. JLARC is directed to review the impacts of these exemptions on public disclosure requests. *Report due in November 2004.*

■ **Water Conservancy Boards Review.** 2001 legislation directs a JLARC assessment of the costs, processes and operations of water conservancy boards as they make decisions regarding transfers of existing water rights and other topics within their jurisdiction. *Report due in December 2004.*

■ **Mental Health Advance Directives Impacts.** 2003 legislation directs a JLARC study to assess the impacts of advance directives on residents of long-term care facilities who receive in-patient psychiatric treatment and who then seek re-admission to the same long-term care facility. *Report due in December 2004.*

■ **Transportation Performance Audits.** The 2003 Legislature created the Transportation Performance Audit Board to oversee performance reviews and performance audits of state transportation agencies and functions. JLARC may be directed to carry out some of this work.

■ **Other JLARC Studies.** During 2004, JLARC will also be carrying out three **pre-sunset reviews** (Office of Regulatory Assistance, Prescription Drug Affordability, and Linked Deposit Program) and **follow-up** on previous JLARC work, including the 2001 **Investing in the Environment** performance audit.

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